

**CUET (UG)**  
**Economics Sample Paper - 17**  
**Solved**

**Time Allowed: 45 minutes**

**Maximum Marks: 200**

**General Instructions:**

1. The test is of 45 Minutes duration.
2. The test contains 50 questions out of which 40 questions need to be attempted.
3. Marking Scheme of the test:
  - a. Correct answer or the most appropriate answer: Five marks (+5).
  - b. Any incorrectly marked option will be given minus one mark (-1).
  - c. Unanswered/Marked for Review will be given zero mark (0).

**Attempt any 40 questions**

1. The difference between closing stock and opening stock during an accounting year is known as: **[5]**
  - a) Increase in stock
  - b) Fall in stock
  - c) Decrease in stock
  - d) Change in stock
2. National Income will be equal to Domestic Income when: **[5]**
  - a) Net Factor income from Abroad = 0
  - b) Net Indirect Taxes = 0
  - c) Depreciation = 0
  - d) Indirect Taxes = 0
3. The money in which commodity value = money value is called: **[5]**
  - a) All of these
  - b) Representative money
  - c) Credit money
  - d) Full bodied money
4. What is the thing which is generally accepted by everyone as a medium of exchange? **[5]**
  - a) Grains as money
  - b) Money
  - c) Money and Goods
  - d) Goods
5. The savings function derived from the consumption function  $c = a + bY$  is **[5]**
  - a)  $S = Y + (a + bY)$
  - b)  $S = -a + (1 - b)Y$
  - c)  $S = Y - (a + bY)$
  - d)  $S = Y - (a + bY)$

6. Aggregate Demand schedule shows the relationship between: [5]
- a) Consumption and Savings
  - b) Investment and Savings
  - c) Consumption and Investment
  - d) Aggregate Demand and Income
7. At low level of income saving is negative. [5]
- a) False.
  - b) Insufficient information
  - c) Can't say
  - d) True.
8. Government provides certain goods and services which cannot be provided by the market mechanism such as national defence, roads, government administration etc, which are referred to as \_\_\_\_\_. [5]
- a) Economic goods
  - b) Public goods
  - c) Private goods
  - d) Marketable goods
9. Which of the following statements is true? [5]
- i. Expenditure on Ujjwala Yojana launched by the Government is an example of capital expenditure.
  - ii. Expenditure on Ujjwala Yojana launched by the Government is an example of Revenue Expenditure.
  - iii. Expenditure on Ujjwala Yojana launched by the Government is an example of Deferred Revenue Expenditure.
  - iv. None of the statements are correct.
- a) options (i)
  - b) options (iv)
  - c) options (ii)
  - d) options (iii)
10. Capital Expenditure: [5]
- a) creates assets for the government
  - b) do not create any reduction in assets for the government
  - c) create any reduction in assets for the private sector
  - d) do not create any reduction in assets for the private sector
11. A source of supply of foreign exchange is: [5]
- a) Foreign trade
  - b) Foreign tourism
  - c) Foreign purchases
  - d) Foreign goods

12. GNP at market price is measured as: [5]
- |   |  |
|---|--|
| a) NDP at factor cost + Net factor income from abroad | b) GDP at market price - Depreciation                  |
| c) GNP at market price + Subsidies                    | d) GDP at market price + Net factor income from abroad |
13. GDP Deflator = [5]
- |  |  |
|--|--|
| a) $\frac{\text{Real income}}{\text{Nominal income}} \times 100$ | b) $\frac{\text{Real income}}{\text{Population}} \times 100$ |
| c) $\frac{\text{Nominal income}}{\text{Real income}} \times 100$ | d) $\frac{\text{population}}{\text{Real income}} \times 100$ |
14. Net investment is equal to [5]
- |   |                                    |
|---|------------------------------------|
| a) Gross investment $\div$ depreciation | b) Gross investment + depreciation |
| c) Net investment - depreciation        | d) Gross investment - depreciation |
15. \_\_\_\_\_ refer to those deposits in which amount is deposited with bank for a fixed period of time. [5]
- |                    |                     |
|--------------------|---------------------|
| a) Time Deposits   | b) Current Deposits |
| c) Saving Deposits | d) Demand Deposits  |
16. One of the various quantitative instruments used by the central bank in during deflation is: [5]
- |                                |                                 |
|--------------------------------|---------------------------------|
| a) Block government securities | b) Export government securities |
| c) Sell government securities  | d) Buy government securities    |
17. Keynesian theory of employment is based on the assumption of [5]
- |                  |                    |
|------------------|--------------------|
| a) None of these | b) Full employment |
| c) Short-run     | d) Long-run        |
18. **Unilateral Transfers** is a component of: [5]
- |                     |                    |
|---------------------|--------------------|
| a) Balance of Trade | b) Current Account |
|---------------------|--------------------|

c) Capital Account

d) Nominal Account

19. Economics essentially the study of [5]
- a) None of these                      b) National problem
- c) Society problem                      d) Economic problems
20. A movement along a PPC implies [5]
- a) Reallocation of resources                      b) Redistribution of wealth
- c) Redistribution of technology                      d) Reallocation of income
21. If many people die due to a flood, it will shift the country's PPC to the [5]
- a) Can't say                      b) Not affected
- c) Left                      d) Right
22. At what point does total utility starts diminishing? [5]
- a) When marginal utility is negative                      b) None of these
- c) When marginal utility remains constant                      d) When marginal utility is increasing
23. When TU is increasing at a diminishing rate, MU must be: [5]
- a) increasing                      b) negative
- c) decreasing                      d) constant
24. Law of demand must fail in case of: [5]
- a) inferior goods                      b) Consumer goods
- c) Giffen goods                      d) normal goods
25. As you move down a straight-line-downward-sloping demand curve, the price elasticity of demand: [5]
- a) remains constant because the slope is constant                      b) becomes more inelastic
- c) becomes less elastic                      d) becomes more elastic
26. The Tata Iron and Steel Company was incorporated in \_\_\_\_\_. [5]

- a) 1910  
c) 1907

b) 1850  
d) 1921

27. Suez canal was opened for transport in: [5]

a) 1853  
c) 1869

b) 1850  
d) 1901

28. The impact of British policy on India economic structure was [5]

a) India becomes the supplier of raw materials and consumer of finished industrial products from Britain.  
c) India became a supplier of finished industrial products and consumer of raw materials from Britain.

b) All of these  
d) India became a supplier of the finished products to Britain.

29. Green revolution leads to marketable surplus. What does it refers to? [5]

a) All of these  
c) Production of crops for maintaining sufficient stock

b) Production of crops for selling in market  
d) Production of crops for self-consumption

30. The goal of equity was not fully served by land reforms because: [5]

a. In some areas, the former zamindars continued to own large areas of land by making use of some loopholes in the legislation.  
b. The big landlords challenged the legislation in the courts, delaying its implementation. They used this delay to register their lands in the name of close relatives, thereby escaping from the legislation.  
c. Even when the tillers got ownership of land, the poorest of the agricultural labourers(such as sharecroppers and landless labourers) did not benefit from land reforms.  
d. All of these

a) Option (d)  
c) Option (c)

b) Option (a)  
d) Option (b)

31. The thrust of the New Economic Policy (NEP) was . [5]

- a. to create a more competitive environment in the economy and removing the barriers to entry and growth of firms.
- b. to maintain sufficient foreign exchange reserves and keep the rising prices under control.
- c. to improve the efficiency of the economy and increasing its internal competitiveness by removing the rigidities in various segments of the Indian economy.
- d. to meet the challenges like unemployment, poverty and population explosion.

a) Option (c)

b) Option (a)

c) Option (d)

d) Option (b)

32. \_\_\_\_\_ was the Indian Finance Minister in 1991, acknowledged for his capabilities to [5] steer away the economic crisis looming large on the erstwhile Indian Economy.

a) Dr. Subramanian Swamy

b) Dr. Manmohan Singh

c) Pranab Mukherjee

d) Dr. Urjit Patel

33. In which year new economic policy was initiated in India? [5]

a) 2001

b) 2000

c) 1999

d) 1991

34. Which of the following is a self-employment programme initiated by the Government of India? [5]

a) Sampooma Grameen Rozgar Yojana

b) National Food for Work

c) Prime Minister Rozgar Yojana

d) National Social Assistance Programme

35. Pradhan Mantri Gramodaya Yojana aims at: [5]

a) Strengthening the Panchayati Raj system in rural areas

b) Generating employment in the rural areas

c) Meeting rural needs like Primary education, health care, drinking water, housing, rural roads

d) Alleviating poverty through micro-enterprises

36. When was Taskforce on Projections of Minimum Needs and Effective Consumption Demand formed? [5]

a) 2012

b) 1989

c) 1962

d) 1979

37. Individuals invest in education with the objective of: [5]
- a) facilitating adaptation of new technologies.      b) All of these
- c) increasing their future income.      d) accelerating the development process.
38. Expenditure on education is a source of: [5]
- a) Human capital formation as well as physical capital formation      b) None of these
- c) Physical capital formation      d) Human capital formation
39. Why is there a need for diversification? [5]
- a) Provides credit facilities      b) None of these
- c) Minimise risk      d) Provide productive sustainable livelihood options to rural people
40. \_\_\_\_\_, in realising fair prices for farmers products, is one of the initiatives taken by the government. [5]
- a) Cooperatives and land development banks      b) Regional rural banks (RRBs)
- c) All of these      d) Co-operative marketing
41. Which type of unemployment is found in agricultural sector? [5]
- a) Structural unemployment      b) Seasonal unemployment
- c) Cyclical unemployment      d) Disguised unemployment
42. \_\_\_\_\_ provides different estimates of unemployment, attributes of the unemployed and the variety of unemployment prevailing in our country. [5]
- a) All of these      b) Directorate General of Employment and Training Data of Registration with Employment Exchanges
- c) Reports of Census of India      d) National Sample Survey Organisation's Reports of

## Employment and Unemployment situation

43. \_\_\_\_\_ % of rural workers are regular salaried employed. [5]

a) 40                                      b) 72

c) 14                                      d) 7

44. Which of the following is not a function of primary health care? [5]

i. Spreading education concerning prevailing health problems

ii. Promoting food supply and proper nutrition

iii. Conducting research

iv. Providing essential drugs

a) Only i                                  b) Only ii

c) Only iv                                d) Only iii

45. PLF is lowest in: [5]

a) Northern region                      b) Southern region

c) North-eastern region                d) Western region

46. When was the term Sustainable Development came into existence? [5]

a) 1992                                      b) 1987

c) 1978                                      d) 1980

47. The government set up the Central Pollution Control Board to control: [5]

a) Soil Erosion                              b) Air pollution

c) Noise pollution                         d) Deforestation

48. Who said these lines "these new and revolutionary changes in China and India, even though they differ in content, symbolise the new spirit of Asia and new vitality which is finding expression in the countries in Asia." [5]

a) Jawaharlal lal Nehru                      b) Mahatma Gandhi

c) B.R.Ambedkar                              d) Rajendra Prasad

49. Which of the following country is growing mainly due to tertiary sector? [5]



a) Pakistan

b) None.

c) China

d) India

50. Liberty indicator indicates

[5]

a) The extent of democratic participation in social decision making

b) The extent of democratic participation in political decision making

c) None

d) Both

# Solutions

1.  
**(d) Change in stock**  
**Explanation:** It is also called inventory investment. Change in inventory stock during the year is called inventory investment of the producers.
2. **(a) Net Factor income from Abroad = 0**  
**Explanation:** Net Factor income from Abroad = 0
3.  
**(d) Full bodied money**  
**Explanation:** The money in which commodity value is equal to money value is called full-bodied money.
4.  
**(b) Money**  
**Explanation:** Money is the thing which is generally accepted by everyone as a medium of exchange.
5.  
**(b)  $S = -a + (1 - b)Y$**   
**Explanation:**  $S = -b + (1 - b)Y$ , where  $1 - b$  implies marginal propensity to save.
6.  
**(d) Aggregate Demand and Income**  
**Explanation:** Aggregate Demand and Income
7.  
**(d) True.**  
**Explanation:** First need of a person is consumption, when consumption gets over or his basic wants are satisfied, he starts saving a part. But, saving being function of income, depends on the latter. So, when income level is low, consumption is not over, and exceeds income. Thus, leads to negative saving.
8.  
**(b) Public goods**  
**Explanation:** Government provides certain goods and services which cannot be provided by the market mechanism such as national defence, roads, government administration etc, which are referred to as Public goods.
9.  
**(c) options (ii)**  
**Explanation:** Expenditure on Ujjwala Yojana launched by the Government is an example of Revenue expenditure. because it neither create any asset or reduction in liability of the government.
10. **(a) creates assets for the government**  
**Explanation:** Capital expenditure refers to the estimated expenditure of the government in a fiscal year which creates assets or causes a reduction in liabilities.
11.  
**(b) Foreign tourism**

**Explanation:** When foreigners arrive in another country they want to recreate in, the supply foreign currency to be exchanged for that country's currency.

12.

**(d)** GDP at market price + Net factor income from abroad

**Explanation:** Gross National Product at market price is the sum total of gross Domestic product at market price and net factor income from abroad.

13.

**(c)**  $\frac{\text{Nominal income}}{\text{Real income}} \times 100$

**Explanation:**  $\frac{\text{Nominal income}}{\text{Real income}} \times 100$

GDP deflator refers to the ratio between GDP at current prices and GDP at constant prices.

14.

**(d)** Gross investment - depreciation

**Explanation:** Net investment is the total amount of money that a company spends on capital assets, minus the cost of the depreciation of those assets.

15. **(a)** Time Deposits

**Explanation:** Time Deposits

16.

**(d)** Buy government securities

**Explanation:** Buying securities by government cause a rise in money supply into the economy that indirectly cause an increase in demand of people which cause demand-pull inflation.

17.

**(c)** Short-run

**Explanation:** Short-run

18.

**(b)** Current Account

**Explanation:** Current Account

19.

**(d)** Economic problems

**Explanation:** Central problems of an economy comprise the subject matter of economics divided into microeconomics and macroeconomics.

20. **(a)** Reallocation of resources

**Explanation:** The movement along the PPC from left to right shows that in order to produce more units of capital goods, the economy must sacrifice some amount of consumer goods.

21.

**(c)** Left

**Explanation:** Severe flood leads to a decline in both human as well as capital resources. As a result less resources are left for production, thus result in leftward shift in PPC

22. **(a)** When marginal utility is negative

**Explanation:** MU is addition to TU when an MU becomes -ive TU falls.

23.

**(c)** decreasing

**Explanation:** If MU declines, addition to TU also declines; accordingly, diminishing MU implies that TU increases only at the diminishing rate.

24.

(c) Giffen goods

**Explanation:** In the case of Giffen good, It is seen that when the price of the good increases, the quantity demanded of the good increases and when the price of the good decreases, the quantity demanded of the good decreases. The positive income effect is stronger than the negative substitution effect.

25.

(c) becomes less elastic

**Explanation:** As we move down a straight line downward sloping demand curve, price elasticity of demand becomes less elastic. Because percentage change in quantity demanded is less than the percentage change in price.

26.

(c) 1907

**Explanation:** 1907

27.

(c) 1869

**Explanation:** 1869

28. (a) India becomes the supplier of raw materials and consumer of finished industrial products from Britain.

**Explanation:** India becomes the supplier of raw materials and consumer of finished industrial products from Britain.

29.

(b) Production of crops for selling in market

**Explanation:** Production of crops for selling in market

30. (a) Option (d)

**Explanation:** All of these

31.

(b) Option (a)

**Explanation:** to create a more competitive environment in the economy and removing the barriers to entry and growth of firms.

32.

(b) Dr. Manmohan Singh

**Explanation:** Dr. Manmohan Singh

33.

(d) 1991

**Explanation:** 1991

34.

(c) Prime Minister Rozgar Yojana

**Explanation:** The scheme is for providing employment to educated unemployed. The scheme provides a loan of ₹ 1 lakh for opening his own enterprise and ₹ 2 lakhs for other activities.

35. (c) Meeting rural needs like Primary education, health care, drinking water, housing, rural roads  
**Explanation:** PMGY was launched in 2000-2001 in all States and Union Territories (UTs) in order to achieve the objective of sustainable human development at the village level. The PMGY envisages allocation of Additional Central Assistance to the States and UTs for selected basic minimum services in order to focus on certain priority areas. PMGY initially had five components viz. primary health, primary education, rural shelter, rural drinking water and nutrition.
36. (d) 1979  
**Explanation:** In 1979, a task force constituted by the Planning Commission for the purpose of poverty estimation, chaired by YK Alagh, constructed a poverty line for rural and urban areas on the basis of nutritional requirements. According to the report of "Task Force on projections of Minimum Needs and Effective Consumption Demand", people consuming less than 2100 calories in the urban areas and less than 2400 calories in the rural areas were considered poor.
37. (c) increasing their future income.  
**Explanation:** increasing their future income.
38. (d) Human capital formation  
**Explanation:** Expenditure on education is considered as one of the main sources of human capital. Spending on education by individuals is similar to spending on capital goods by companies with the objective of increasing future profits over a period of time.
39. (d) Provide productive sustainable livelihood options to rural people  
**Explanation:** Diversification of crop production minimises the market risk arising due to price fluctuations. Finding sustainable livelihood away from crop farming becomes all the more significant in view of the fact that crop farming sector is overburdened.
40. (d) Co-operative marketing  
**Explanation:** Co-operative marketing
41. (b) Seasonal unemployment  
**Explanation:** It occurs simply because agriculture is a seasonal occupation. During offseason, often the farmworkers are out of a job. They have no work to do.
42. (a) All of these  
**Explanation:** All of these
43. (d) 7  
**Explanation:** Since regular salaried jobs require skills and a higher level of literacy, and such men are not available in rural areas.

44.

(d) Only iii

**Explanation:** Conducting research is not a function of primary health care.

45.

(c) North-eastern region

**Explanation:** Lowest in Eastern Region(62%) Highest in Southern Region(81%) SEB (65%) Central & Pvt. (79%) ... Partnership in excellence - 26 Thermal Station (PLF-60%).

46.

(d) 1980

**Explanation:** Sustainable development is that process of economic development which aims at raising the quality of life of both present and future generations, without threatening natural endowment and environment.

47.

(b) Air pollution

**Explanation:** Air pollution

48. (a) Jawaharlal lal Nehru

**Explanation:** He said these lines in his speech when India and Pakistan became independent nations in 1947, People's Republic of China was established in 1949. All the three countries had started planning their development strategies in similar ways.

49.

(c) China

**Explanation:** Trends in Output Growth in Different Sectors, 1980-2003

Country	1980-90			1990 - 2002/03		
	Agriculture	Industry	Service	Agriculture	Industry	Service
India	3.1	7.4	6.9	2.7	6.6	7.9
China	5.9	10.8	13.5	3.9	11.8	8.8
Pakistan	4	7.7	6.8	3.7	3.9	4.3

50.

(d) Both

**Explanation:** Liberty indicators are the rights of citizens of a country to play a part in the governance of their country. We strongly feel that liberty indicators should be considered as indicators of the development because development is a multi-dimensional phenomenon. Liberty indicators are - important components of quality of life which represents the functioning of an economy.